

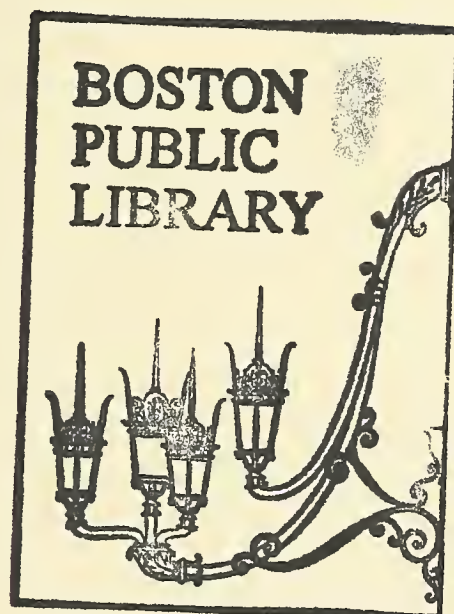
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MEMORANDUM

TO: BRA STAFF
FROM: PETER DREIER, DIRECTOR OF HOUSING
DATE: OCTOBER 5, 1986
SUBJECT: HOUSING GOALS AND GUIDELINES - UPDATE

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This memo is intended to update my May 13, 1986 memo outlining the Authority's housing policies and guidelines. Specifically, this memo explains:

- * the Authority's goals for producing affordable housing on BRA disposition parcels and on private parcels seeking zoning relief;
- * the Authority's definitions of low-, moderate-, and upper-moderate income housing;
- * the housing programs available to expand affordable housing; and
- * the Authority's administrative process for implementing these policies.

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AFFORDABLE HOUSING GOALS

The overall goal of the Flynn Administration and the BRA is to expand affordable housing opportunities for Boston residents. Two basic means are used to achieve these goals -- the disposition of BRA-owned property and the zoning process through which developers seek relief from zoning code. In both cases, it is the policy of the Flynn Administration and the BRA to maximize the amount of affordable housing, recognizing the importance of reviewing each project's financial feasibility, design, traffic-and-parking impact, and related concerns.

On BRA-owned parcels, we are seeking a minimum of 35 percent affordable housing. Wherever feasible, we are seeking to increase this minimum level. (At Lowell Square, for example, the RFP calls for 50% low- and moderate-income housing). All RFPs/Developers Kits should clearly state the BRA's goals. Further, RFPs/Developers' Kits should state that proposals that provide the maximum amount of affordable housing will be given preference. The Authority prefers a mix of low-and moderate-income units as well as a mix of unit sizes, particularly two-, three-, and four-bedroom units.

On private parcels seeking zoning relief, we are seeking a minimum of 10 percent affordable housing. Following Mayor Flynn's "inclusionary zoning" proposal, these affordable units should be distributed between low-income (5%), moderate-income (2½%) and upper-moderate-income (2½%). The affordable units should be comparable to the project's market-rate units in terms of size, quality, and location within the development. These goals apply to rental as well as ownership forms of housing. We prefer two-, three-, and four-bedroom units for the affordable units.

AFFORDABLE HOUSING DEFINITIONS

The definition of affordable housing is based on long-established federal guidelines.

Low-income housing is affordable to families earning up to 50% of the Boston SMSA median income, paying no more than 30% of household income for housing; this includes rent and utilities (for rental housing) and principle, interest, property taxes, insurance and condo fees (for ownership housing).

Moderate-income housing is affordable to families earning up to 80% of the Boston SMSA median income, paying no more than 30% of household income for housing.

Upper-moderate income housing is affordable to families earning up to 110% of the Boston SMSA median income, paying no more than 30% of household income for housing.

These definitions are adjusted for family size.

The attached table provides specific guidelines for each income category and family size. It identifies the monthly housing cost appropriate for each income category and family size. This includes the sales prices of condominiums. Please note that these costs correspond to the ceiling in each income category: in other words, a family of four earning the moderate-income ceiling (\$27,200) can afford a condominium selling for \$63,500, assuming an 8.5% mortgage and five percent downpayment. Because we would like to provide housing opportunities to families below this ceiling, we encourage developers to sell units below the maximum sales price.

HOUSING SUBSIDY PROGRAMS

The primary method to achieve the above affordable housing goals is the internal skewing of rents and sales prices by the developer. Our analysis of Boston's housing market indicates that this method is feasible in each neighborhood of the city. Boston's "hot" housing market offers the opportunity to provide affordable housing, despite the dramatic cuts of federal housing assistance.

In addition, several programs offer various kinds of housing subsidies which the BRA and developers can utilize. These include the following:

SHARP

MHFA provides permanent financing and EOCD provides additional funds to write down the cost of interest payments to 5 percent for a term of up to 15 years. The subsidy is a loan, not a grant, and must be repaid to MHFA; it can be recycled back into the project. Twenty-five percent of the units must be rented to low-/moderate-income residents. EOCD provides rent subsidies (707 certificates) for this purpose.

Chapter 705

This is the state's public housing program for low-income families. EOCD grants the Boston Housing Authority (BHA) funds for (a) new construction, (b) rehabilitation, and (c) acquisition of condominiums in private developments. The third option is the most viable for BRA projects. The BHA can purchase units in multi-unit condo developments which will then be rented to BHA low-income tenants. The BHA will pay condominium fees; the development's management firm will manage the common spaces in the project, including the BHA-owned units. The BHA can purchase condominiums for the following maximum prices:

| | |
|----------------|-----------|
| 2-bedroom..... | \$90,000 |
| 3-bedroom..... | \$110,000 |

Chapter 707

This is the state's rent subsidy program for low-income families. EOCD provides individual renters with 707 certificates in help them find and afford apartments on the private rental market. Similar to the federal Section 8 program, Chapter 707 pegs rent levels to prevailing market levels. Tenants pay 25% of their income for rent; the state pays the rest.

The City can get a set aside of 707 certificates for a particular project. For example, we could request a developer to rent 10 units of a 25-unit rental project to low-income tenants. The developer would then arrange with the BHA to rent exclusively to 707 certificate holders.

Chapter 689

This is the state's program to provide housing for non-elderly disabled handicapped persons. It is jointly funded by EOCD and the state Department of Mental Health. EOCD is responsible for the development of the housing. DMH is responsible for funding the staff and support services for its clients housed in 689 units. Chapter 689 projects can include (a) staffed apartments, (b) community residences, (c) lodging houses, and (d) homeless shelters. Similar to the Chapter 705 program, the BHA (which administers this program) can purchase units in private developments, which are then rented to DMH clients. We would like to see Chapter 689 units scattered throughout the city in private developments.

Homeownership Opportunity Program (HOP)

This is the state's mortgage write-down program to facilitate homeownership among low-and moderate-income families. MHFA and EOCD will provide mortgages of 8.5% in approved projects for units affordable to these targetted income groups; maximum sales price is \$110,000. Some mortgages at 5.5% will also be available; maximum sales price is \$86,000. These below-market mortgages can be available for the inclusionary units in zoning projects as well as for the

affordable units in BRA-disposition projects. All HOP units will include resale controls to guarantee long-term affordability. Maximum sales prices for each income level and family size are included in the attached table.

Community Development Action Grant (CDAG)

CDAG funding is available to underwrite infrastructure costs on projects on publicly-owned land. CDAG funds should be applied for in tandem with other state programs -- i.e. SHARP, HOP. In other words, we should send EOCD a "package" seeking CDAG funds and other subsidy funds for the same project.

Federal Programs

In addition to the above state programs, a limited amount of funding is available through three federal programs. Housing Development Action Grants (HODAG) provide gap-financing to make housing developments feasible. Urban Development Actions Grants (UDAG) help "leverage" private development -- that is, to fill financing gaps in market areas that are too weak to sustain the project on its own. Housing developments that include a commercial component are preferred to housing-only projects. Section 202 provides below-market permanent financing for rental housing for elderly residents. It also provides Section 8 rent subsidies to the elderly renters. This is a highly competitive program. Unlike HODAG and UDAG (where the city applies on behalf of the developer), the applicants for 202s are private non-profit organizations; the City must indicate its support for the application. The HODAG, UDAG and Section 202 programs all have specific application deadlines for funding rounds.

BRA Programs

The BRA has very limited resources available to help reach affordable housing goals. These include (a) the write-down of the acquisition price of BRA-owned property; (b) remaining Urban Renewal funds to help underwrite site improvements on urban renewal parcels; and (c) "linkage" funds from downtown development projects.

BRA ADMINISTRATIVE PROCESS

The financial analysis of BRA disposition parcels and zoning projects is handled by the housing staff. Project managers should discuss their projects with me in order to assign the project to the appropriate housing staffperson. Similarly, developers interested in learning about the various housing subsidy resources should be referred to me.

Applications for state housing programs (SHARP, HOP, 689, 705, 707, CDAG) are channeled through the Public Facilities Department, which has been designated as the city's contact-point with EOCD. I have been designated as the BRA's contact person with the Public Facilities Department, in order to expedite the process. Any project seeking state housing resources should be referred to me.

Please feel free to contact me (ext. 346/347) if you have any questions regarding the issues raised in this memo.

